



Young, Growing
Population
Fuels Economic
Growth

PAGE 2



Challenges
Face Texas'
Transportation
Planners

PAGE 6



Hispanics are
Prominent in
How Texas Does
Business

PAGE 8

FISCAL NOTES

A Monthly Review of the Texas Economy from the Office of Susan Combs, Texas Comptroller of Public Accounts, June 2008

MAY REVENUE (IN MILLIONS): SALES TAX: \$1,877.5 OIL PRODUCTION: \$123.6 NATURAL GAS: \$249.2 MOTOR FUELS: \$258.6 MOTOR VEHICLE SALES: \$269.4 TOBACCO: \$137.7

Key Stats for Local Development

A new Web portal lets local professionals and officials examine key data about their communities and download special tools that can help support their economic growth.

Texas Ahead not only gives access to targeted tools and a closer look at tax programs and incentives, but also provides relevant and current information on the forces driving the Texas economy, including regular economic updates and forecasts. The Texas Comptroller of Public Accounts recently launched the portal.

You can also gather valuable details for site selection decisions, local government planning and more by running your own reports on categories including Texas population, demographics and sales tax allocations.

In addition, Texas Ahead lets you view economic development and business case studies that provide valuable guidance and models worth imitating. For more information, visit www.TexasAhead.org.



Texas Population Heats Up

State's four metro areas among nation's top 10 in population growth



The Wright family was attracted to business opportunities and quality of life in Texas.

Photo: Barbara Schlieff

Las Vegas residents Lisa and Kevin Wright pulled up stakes and moved their business and family to Texas in 2006. Having lived in the San Antonio area about 20 years earlier, the Wrights were familiar with Texas and wanted a better place to raise their two young children.

"We wanted a little slower pace of life," Lisa says. "Once we found out about all of the economic development going on in Texas, and Williamson County in particular, we

thought that would be a great place to have our business."

The Wright family is not alone in choosing Texas. The state's four major metro areas, Dallas, Houston, San Antonio and Austin, were among the top 10 in the nation with the highest population growth between July 2006 and July 2007, according to the U.S. Census Bureau (See Box: Population Boom).

CONTINUED PAGE 10

The Demographic Advantage

A young, growing population

Texas is blessed with a stable economy, abundant natural resources and some of the nation's best infrastructure. But its biggest asset may be its dynamic and growing population.

Our state is growing quickly and changing as it grows.

Growth and change present the state with both challenges and opportunities, but in all it serves as a solid guarantee of continuing economic expansion.

A State on the Grow

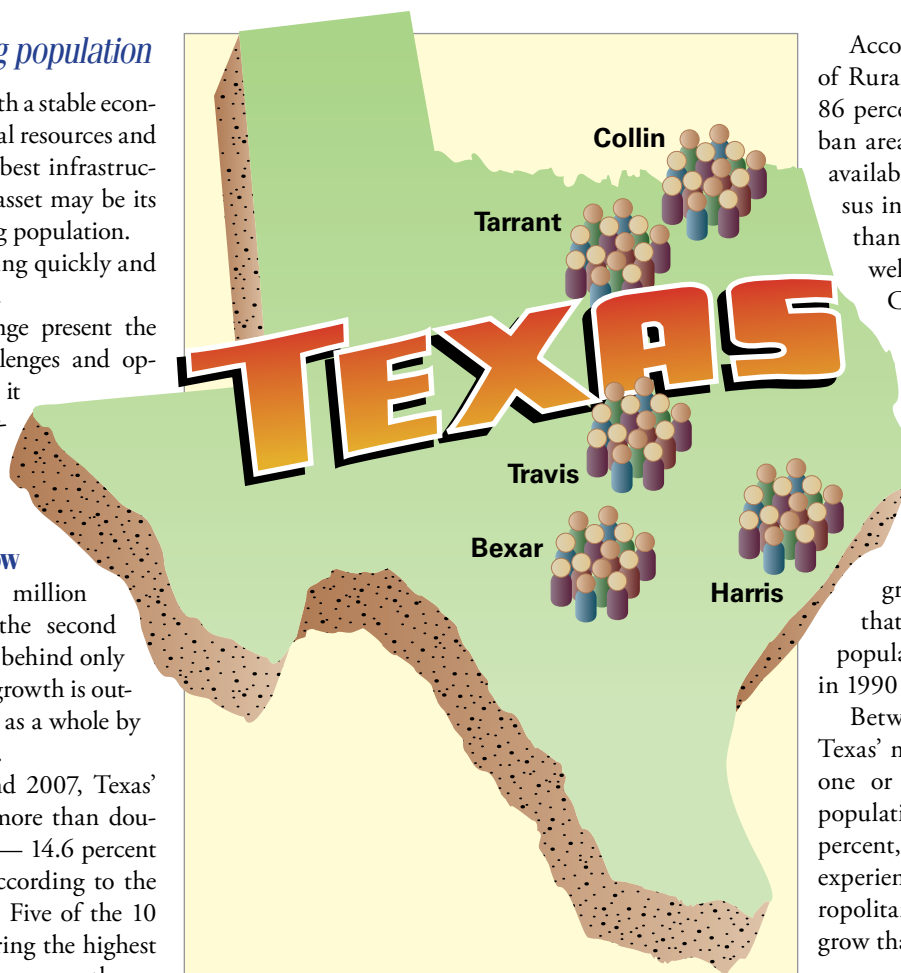
Today, with 23.9 million residents, Texas is the second most-populous state, behind only California. And our growth is outstripping the nation's as a whole by a substantial amount.

Between 2000 and 2007, Texas' population grew at more than double the national rate — 14.6 percent versus 7.2 percent, according to the U.S. Census Bureau. Five of the 10 U.S. counties registering the highest numerical population growth between 2006 and 2007 are in Texas, as are 11 of the top 25 counties. No other state came close to Texas' performance.

The Dallas-Fort Worth area led all other U.S. metro areas in its numerical population gain between 2006 and 2007, adding more than 162,000 residents. The Houston-Sugar Land-Baytown, Austin-Round Rock and San Antonio metro areas also were in the top 10 for numerical growth.

City Life, Country Living

Texas has the peculiar distinction of both being one of the nation's most urbanized states and also having the country's largest rural population.



According to the state's Office of Rural Community Affairs, about 86 percent of all Texans lived in urban areas in 2005 (most recent data available). Yet the 2000 U.S. Census indicated that Texas had more than 3.6 million rural residents, well above second-ranked North Carolina's 3.2 million.

But our rural and urban areas are not growing at the same rate. The state's rural population rose by 15 percent between 1990 and 2005, yet Texas as a whole grew by 35 percent over the same period. Rapid growth in urban areas meant that rural Texas' share of the state population fell from 18.8 percent in 1990 to 17.5 percent in 2000.

Between 2000 and 2005, 11 of Texas' metro counties — those with one or more urban areas — saw population increases of at least 20 percent, while 93 non-metro counties experienced losses. Thus, Texas' metropolitan areas were far more likely to grow than their rural counterparts.

The continuing shift of Texas' population from rural to urban areas poses problems as well as benefits. As rural Texans move to cities and suburbs, a shrinking tax base can cause financial difficulties for the communities left behind. In urban areas, rapid growth has prompted a need for new roads, additional construction and expanded water and sewer systems.

Nevertheless, the urban boom has also spurred tremendous economic growth and diversification. And our cities' growth ultimately spreads beyond the suburbs, into "exurbs," bringing greater prosperity to formerly rural areas.

Texas: National Growth Leader

Five of the 10 U.S. counties experiencing the most growth between 2006 and 2007 are in Texas.

County, State	Population Estimates		Change 2006 to 2007
	July 1, 2007	July 1, 2006	
Maricopa County, AZ	3,880,181	3,778,598	101,583
Riverside County, CA	2,073,571	2,007,206	66,365
Harris County, TX	3,935,855	3,876,306	59,549
Clark County, NV	1,836,333	1,777,168	59,165
Tarrant County, TX	1,717,435	1,668,541	48,894
Bexar County, TX	1,594,493	1,555,192	39,301
Wake County, NC	832,970	794,129	38,841
Collin County, TX	730,690	696,383	34,307
Travis County, TX	974,365	941,577	32,788
Mecklenburg County NC	867,067	835,328	31,739

Source: U.S. Census Bureau



Younger, but Older

Texas benefits from relative youth among states, a factor that implies a younger, more adaptable work force. According to the Census Bureau, the median age of the Texas population was 33.1 years in 2006, versus 36.4 years for the nation as a whole. Texas had the youngest median population by far among the 10 most populous states.

In 2006, Texas also had a larger-than-average population share in the crucial employment years of 20 through 39, 29.3 percent versus 27.4 percent nationwide.

Texas is experiencing the same aging trends as the rest of the nation, as the enormous postwar generation heads into retirement. The Census Bureau estimates that more than 2.3 million Texans were aged 65 or older in 2006, accounting for 9.9 percent of the state's population. That share is expected to rise to 11.7 percent of the total by 2015.

Even so, Texas' relative youth will continue. The comparable U.S. estimates for the 65-and-over population share are 12.4 percent in 2006 and 14.5 percent in 2015.

Texas Tapestry

Texas is among the nation's most ethnically diverse states and has been a majority-minority state since 2004, meaning the state's various ethnic minority populations now outnumber white residents. (Other majority-minority states include Hawaii, New Mexico and California.)

In 2006, 48.3 percent of Texans were White; 35.7 percent were Hispanic; 11.4 percent were Black; and 4.6 percent fell into the "other" category, which includes persons of American Indian, Asian and other descent. Texas' ethnic makeup contrasts

Texas Labor Force Booming

The Texas labor force is growing and attracting workers from all over the nation, says Karl Eschbach, the Texas state demographer. "They're coming here for jobs and affordable living," he says.

According to the U.S. Census Bureau, the Texas labor force experienced the largest net growth of any state between 2000 and 2006, adding more than 1.1 million jobs and accounting for nearly 13 percent of the nation's total net increase in workers over that period.

Furthermore, Texas' expanding economy, including its growing tech sector, is attracting high-caliber employees. "Texas is among the most popular destinations for college-educated workers who relocate between states," Eschbach says.

According to Eschbach, net migration from other states added more than 42,000 college-educated workers to the Texas labor force in 2006. Texas ranked second only to California by this measure, and well ahead of California when the new arrivals are considered as a share of the total work force.

strongly with the U.S. as a whole, which was 66.4 percent white, 14.8 percent Hispanic, 12.3 percent black and 6.6 percent "other" in 2006.

Hispanics are Texas' fastest-growing population group, due to high immigration and birth rates; their numbers rose by 24.4 percent between 2000 and 2006. The Texas State Data Center estimates that by the year 2040, Hispanics will constitute from 44.7 percent to 59.2 percent of the Texas population, depending upon various assumptions concerning birth rates, mortality and migration.

By contrast, the data center projects that Whites will constitute from 41.1 percent to as little as 23.9 percent of the Texas population by 2040. The Black population share, in turn, is expected to range from 8 to 10.7 percent of the state's population.

These changes will entail some challenges for Texas. In education, for instance, high immigration rates will push up the state's share of students identified as Limited English Proficient (LEP), a group already representing 16 percent of all children enrolled in Texas public schools in the 2006-07 school year.

But a multiracial population also confers real advantages in global trade (see sidebar). For instance, nearly twice as many Texans are fully bilingual as the national average. **FN**

For more information on Texas demography, visit the Comptroller's new Texas Ahead Web site, www.texasahead.org. Detailed demographic information for Texas counties is available through the Comptroller's Texas EDGE site at www.window.state.tx.us/texasedge.

An Old and New Migration

These snowbirds roll south for the winter.

A great migration begins around November and December of each year as more than a million snowbirds flee the winter chill of their homes for the warmth of Texas. But these flocks aren't the feathery kind; they mostly travel by RV. The snowbirds, or Winter Texans, come here to enjoy our mild winter weather, natural beauty and almost unlimited recreational possibilities.

Most Winter Texans still can be found in the Rio Grande Valley, basking in its subtropical climate or swimming and fishing on South Padre Island. But more than ever, they are exploring new digs all over the state.

Areas sometimes considered out-of-the-way, such as the Big Bend or the vast Panhandle/High Plains have now become popular destinations among motorists and RV enthusiasts. The more populated areas



Barbecue, horseshoes and friends in South Texas

Photo: Markets and Tourism, Research Center UTPA

of the state — the Prairies and Lakes area, the Piney Woods and the spectacular Hill Country — beckon more new winter visitors every year. And, every year, more Texas towns and cities roll out the red carpets for their seasonal guests.

Texas Access

Texas is more accessible now than ever, and travelers to Texas are more aware than ever of the unique sights and wonderful experiences awaiting them. Helping keep the interest high are a number of Winter Texan newspapers, magazines, guides and maps. Most are available over the Internet.

Gov. Rick Perry's award-winning tourism initiative "Texas, It's Like A Whole Other Country" has gained wide recognition, both within and outside of the state. The Governor's Office also publishes a top 10 tourist destination list that ranks favorite Texas tourist destinations.

As visitors expand their winter habitat beyond the Rio Grande Valley, so do the dollars they spend, an estimated \$900 million annually in Texas.

Snowbird Watching

In 2006, the University of Texas - Pan American produced a statistical profile of snowbirds who overwinter in the Rio Grande Valley. According to UT-Pan Am, typical Winter Texans are white, married and hail from the Midwest. They have a high school diploma or some college, have a median income of \$45,470 and are just shy of 69 years old.

Winter Texans have been making their annual treks to escape northern winters for decades. They come from many different states, but most commonly from Minnesota, Iowa, Michigan, Illinois and Wisconsin. UT-Pan Am's study also found that 8 percent of them migrate from Canada. **FN**

For a detailed list of events and resources for Winter Texans, visit Winter Texans Online at www.wintertexansonline.com.

South for the Winter

Home States of Winter Texans

State	Percent Share
Minnesota	11.7%
Iowa	8.6
Michigan	8.3
Illinois	6.7
Wisconsin	5.3
Texas	4.8
Missouri	4.4
Indiana	3.7
Oklahoma	3.7
Kansas	3.2

Source: Valley Markets and Tourism Research Center, UTPA

Top Resources

Texas is a hot winter destination with lots to do and see. These online resources help Winter Texans make the most of their winter getaway.

The Official Site of Texas Tourism
www.traveltex.com

Winter Texan Times
www.wintertexantimes.com

Texas Campgrounds
www.texascampgrounds.com



Women, an Economic Force

Their numbers continue to grow.

As Texas' population grows, so does the number of women in its work force. And Texas ranks second in the nation for women-owned businesses.

Women at Work

As of 2006, there were about 5.2 million women in Texas' work force, up from 4.5 million in 2000.

The increase in women working outside the home has been shaped by, and in turn has shaped, our economy in a variety of ways, says Linda Krefting, an associate professor at the Texas Tech University Rawls College of Business.

"For many women, working outside the home has always been — and probably always will be — an economic necessity," says Krefting.

She's the Boss

"Texas women have made great strides in key decision-making roles in the business community and are directing change across the board — in the workplace and in the world," says Texas Comptroller of Public Accounts Susan Combs. "They are blazing their own trails to success and laying a solid foundation for the next generation of women business leaders."

Women own about 48 percent of Texas' privately owned businesses. That includes Patti DeNucci, who owns DeNucci & Co., a freelance talent referral service based in Austin.

"I've lived in Texas most of my life," DeNucci says. "The state's climate, economic growth and diverse culture are what brought and kept me here. I have friends and colleagues who have started not just one, but several businesses. Those who really work at it, have a knack for it, and have the guts to do it seem to do well."

Women-owned businesses continue to pack an economic punch. In 1997, there were 381,500 women-owned businesses in the state. By



Patti DeNucci

Texas Womanpower

Based on their gross receipts in 2007, Texas' top women-owned businesses are:

1. **TransPerfect Translations – Austin, Dallas, Houston**
2. **PrimeSource Food Service Equipment, Inc. – Dallas**
3. **Alamo Travel Group – San Antonio**
4. **Burnett Staffing Specialists – Houston**
5. **Icon Information Consultants – Houston**

Source: DiversityBusiness.com

2004, the number soared to 791,000. They employed nearly 1.5 million people and generated more than \$197 billion in annual sales.

DeNucci started her firm in 2001, a year after her husband started his own business.

"I wanted to be my own boss, choose which clients and projects to take on and have more flexibility in my schedule," she says. That also meant including the prospect of motherhood.

"It was risky, but it never occurred to us that we'd fail."

– Patti DeNucci,
owner of DeNucci & Co.

"We also were ready to start a family, and I just couldn't see myself as a mom with a traditional 9-to-5 job," she continues. "I wanted to continue to work after having kids, but on my terms. It was risky, but it never occurred to us that we'd fail."

Women at Home

Among the states, in 2005 Texas had the fifth-lowest labor force participation rate (percentage working or seeking work) for women aged 20 to 64, with children under six years old. The labor force participation rate for this group was 58.4 percent in Texas. Nine states had participation rates above 70 percent.

"The motivations for working have always been complex and vary from woman to woman," Krefting says. "Being a stay-at-home mom is a luxury many single moms and working families cannot afford. For other families, a stay-at-home mom involves economic sacrifice, a choice, which some make and others do not." **FN**

For more information about networking opportunities involving women in business, contact the Women's Chamber of Commerce of Texas at www.womenschambertexas.com.

Women-Owned Firms in Texas: 1997-2006

Privately Held, Majority

Women-Owned	1997	2006	% Change
Number of Firms	353,204	568,692	61.0
Number of Employer Firms	63,488	65,481	3.1
Employment	547,492	576,244	5.3
Sales	81,466,839	71,034,730	-12.8

All Privately Held Firms

Number of Firms	1,419,914	2,006,311	41.3
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Source: Center for Women's Business Research, based on data from the U.S. Census Bureau

Keep Texas Rolling

Challenges face Texas' transportation planners.

Traffic tie-ups dog even the hardest of Texas drivers. And with as many as 20 million new Texans expected by 2040, adding more people means more cars and trucks on Texas roads. Moving them safely and efficiently around the state will be no small task.

"Road construction, expansion and maintenance are going to be big issues in this state," says Chris Lippincott, spokesman for the Texas Department of Transportation (TxDOT). "We're looking at our needs 25 and 50 years from now."

Road Wear and Tear

Texas has a lot of roadway, with about 80,000 centerline miles in the state highway

system. Centerline miles are defined as miles traveled one-way, regardless of the number of lanes in a roadway. The state's urban areas can expect to bear the brunt of the anticipated population increase.

There are more than 21 million registered vehicles in Texas, and Texans drive more than 230 billion miles a year. That's similar to driving to the moon 960,000 times.

The U.S. Department of Transportation estimates that driving on roads in need of repair costs Texans more than \$4.5 billion in annual auto repairs or extra costs, or about \$326 per motorist.

TxDOT scores pavement across the state, and urban roads especially are going to need plenty of attention to keep scores high.

"In the absence of new money for maintenance, we're going to have to move money from rural areas to urban areas in order to keep scores from suffering," says Lippincott.

Tight Spaces

Texas' existing highway infrastructure is tightly packed. In Austin, for example, expansion becomes a problem.

The High Cost of Travel

The Texas Department of Transportation funds highway construction projects through the State Highway Fund and the Texas Mobility Fund, which combined contain about \$10 billion.

State Highway Fund

Revenue sources	Dollars (in billions)
Federal funds	\$3.0
State motor fuel tax	\$2.2
Vehicle registration	\$0.9
Bond proceeds	\$1.0
Other	\$0.5
Total	\$7.6

Texas Mobility Fund

Revenue sources	Dollars (in billions)
Taxes, fines, fees and miscellaneous	\$0.2
Bonds proceeds	\$2.2
Total	\$2.4

Source: Texas Department of Transportation



The Rising Cost of Getting Around

The price per ton of some basic road construction materials has risen sharply in recent years.

Material (per ton)	Fiscal 2002 price	Fiscal 2004 price	Fiscal 2007 price
Asphalt	\$171	\$170	\$332
Cement	\$82	\$84	\$101
Asphaltic concrete pavement	\$38	\$37	\$65
Steel	\$268	\$577	\$733

Source: Texas Department of Transportation

“We’ve done right-of-way studies that show in order to expand I-35, we’d have to replace places like the University of Texas’ Disch-Falk Field or Memorial Stadium, or even historic cemeteries,” Lippincott says. “I don’t think anyone wants to do that.”

So, with little room for expansion, alternate routes through rural areas become options. But those, too, are sensitive areas, both economically and historically.

But whether it’s new roads through rural areas or adding lanes to existing highways, including the center median areas, Lippincott says adding more highway will likely include toll roads.

“Chances are, if we’re going to build it, it’s going to be a toll road,” he says. “There’s even the possibility of adding tolled lanes that run with the existing road.”

Right-of-way acquisition will present challenges to Texas’ transportation future. It’s estimated that right-of-way costs alone make up about one-quarter of the \$3 billion State Highway 130 project in Central Texas, which runs parallel to I-35.

But Lippincott says it also presents opportunities with the state’s growing population. Utilities such as gas and water lines or even electrical transmission lines for Texas’ burgeoning wind-power industry could possibly accompany road construction once rights-of-way are obtained — all part of keeping Texans on the move.

From Texas to the World

Trade will play a large role in Texas’ transportation future, says Lippincott.

“About 80 percent of NAFTA truck traffic uses Texas roads,” he says.

Trucks move about \$377 billion in commodities annually on Texas highways, according to the U.S. Department of Transportation.

Add to that the future widening and deepening of the Panama Canal, plus interest from Asian companies in shipping goods to Texas ports, and that creates a very lucrative, yet traffic-tight Texas future. **FN**

The statewide planning map is online at www.dot.state.tx.us. For more information on Texas’ toll roads, go to www.texastollways.com.



Hispanic Power

Already more than a third of all Texans, Hispanics figure heavily in how business is done.

More than 36 percent of Texas' citizens are Hispanic, exceeding twice the national percentage, and by 2020 Hispanics could be the majority of Texas' population. This trend will continue to influence the state economy.

Food for Thought

Grocery store shelves bear testimony to this shift. For example, the Oneta Company of Corpus Christi unveiled its new

Everest bottled water, Everest Extra with Aloe, at the Hispanic Retail 360 Summit in Dallas last year hoping to woo Hispanic consumers.

Similarly, La Abuela Mexican Foods, Inc., a Weslaco-based tortilla manufacturer since 1994, has seen demand swell among all consumers.

"There's been a huge growth in the acceptance of Hispanic foods," says Sofia Erosa, a sales and marketing representative for the company.

Fiesta Mart of Houston has been bringing international flavors to Texas shoppers since 1972. With products from Mexico, Germany, the Caribbean and Asia, the

grocer has always considered itself an international supermarket.

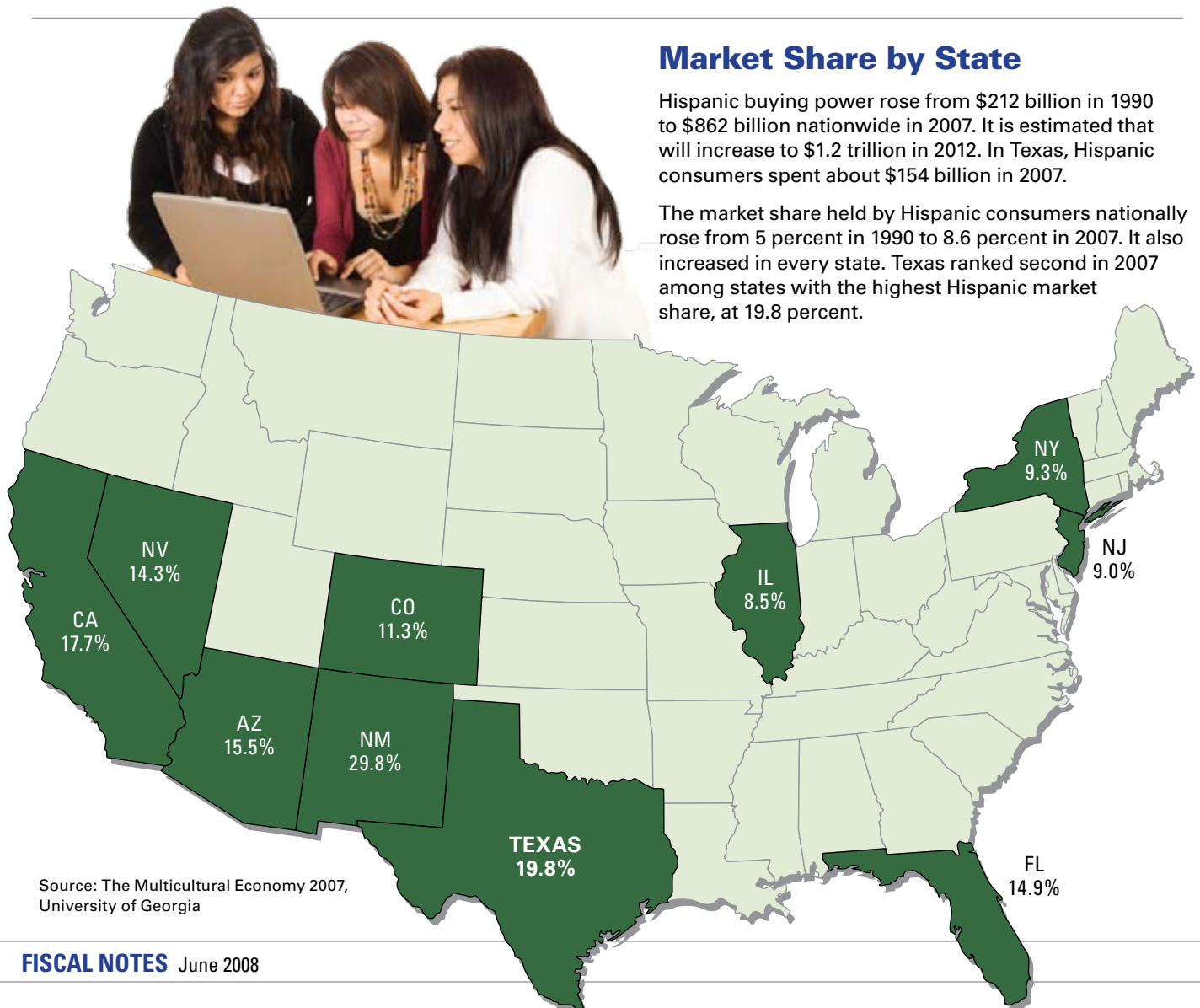
Other grocery stores have followed suit, recognizing that expanding consumer bases provide new opportunities.

"Hispanics make up a very large segment of the consumer base, and companies are now spending marketing dollars to court the Hispanic consumer," says Zack Lujan, president of the Amarillo Hispanic Chamber of Commerce. "Many Hispanic-owned businesses are being created because of this emerging market. It is becoming a very competitive business environment in attempts to ensure long-term growth capabilities."

Market Share by State

Hispanic buying power rose from \$212 billion in 1990 to \$862 billion nationwide in 2007. It is estimated that will increase to \$1.2 trillion in 2012. In Texas, Hispanic consumers spent about \$154 billion in 2007.

The market share held by Hispanic consumers nationally rose from 5 percent in 1990 to 8.6 percent in 2007. It also increased in every state. Texas ranked second in 2007 among states with the highest Hispanic market share, at 19.8 percent.



Source: The Multicultural Economy 2007, University of Georgia



On the Rise

Nationally, the Hispanic population increased by 1.4 million to 45.5 million as of July 1, 2007. Hispanics are 15.1 percent of the nation's 301.6 million people.

Census Bureau information released in May also shows the Hispanic population exceeded 500,000 in 16 states. Texas' Hispanic population increased to 8.6 million, outpaced only by California, which had an increase of 13.2 million.

Good for Business

Lujan says growth in Texas' Hispanic population creates opportunities for consumers and employers.

"The Hispanic work force is very sought after," he says. "Almost every [Chamber] member has come to us asking for assistance in locating talented bilingual staff to fill all types of positions. People are being sought after in a variety of positions, including sales, management, reception and many other areas."

And as the number of Hispanics earning college degrees increases, so do their employment options, Lujan says.

"The generation that is in college is raising the educational attainment level for Hispanics," he says. "As a group, the Hispanic population is starting to have representation in higher-ranking positions at many companies."

This group continues to flex its financial might. The U.S. Census Bureau estimates Hispanic buying power in the United States will reach \$1 trillion by 2011, and companies are giving their products a new twist to reach this rapidly growing market.

"Hispanic buying power is increasing tremendously in our area," says Lujan. "One major effect that I think is easily viewed is that our area has not been impacted as much with the economic downturn being experienced nationwide."

Hispanic-owned businesses nationwide grew 31 percent between 1997 and 2002, three times the national average for all businesses. The nearly 1.6 million Hispanic-owned businesses generated nearly \$222 billion in revenue, up 19 percent from 1997. **FN**

For more information on Hispanic-owned businesses, visit the Texas Association of Mexican-American Chambers of Commerce at www.tamacc.org.

CONTINUED FROM PAGE 1

Texas Population Heats Up

Good for Business

Many have moved to Texas for economic or business reasons, says Texas State Demographer Karl Eschbach, who notes that the state's robust economy has been a big draw.

"Job creation in Texas' principal metropolitan areas was significantly greater in 2006-2007 than in other areas, and unemployment rates were lower," he says.

Wright and her husband own a financial planning firm that focuses on planning for divorce and financial settlements. While they moved to Central Texas initially to find a better quality of life, they've found it's been a boost to their business.

"It's not that there is more divorce here, but it's just that there are fewer practitioners here who do what I do," Lisa says. "Our income and earnings have all been very positive."

Migrating West

Movement from other states and countries has contributed to Texas' population growth, Eschbach says. "International

immigration has been steady for more than a decade. In many other states, U.S.-born populations are moving out as international immigrants move in. In Texas, both groups continue to move to the same metropolitan areas."

Having more births than deaths is also a huge factor, says the U.S. Census Bureau.

Of the total population increase of more than 3 million in Texas from April 1, 2000 to July 1, 2007, more than half, or 1.6 million, was due to this natural increase, says the bureau's Greg Harper. "Texas also added about 580,000 people due to internal migration (movement to Texas from other states) and about 840,000 due to international migration," he says.

Housing is Big

The Wright family chose Georgetown partly for its affordable housing prices. They purchased a home on a 1.5-acre tract — plenty of room for daughter Whitney, 11, and son Jack, 9, to ride bicycles and play.

"We were actually able to get a bigger home with more land for about half the price of what we sold our home for in Las Vegas," Wright says. "We have a bigger, better quality house on about three times the land. Our kids literally feel like we bought them a farm. They can take the bus to school, and they can ride their bikes in the neighborhood."

The Wrights are typical of many who have come to Texas in recent years.

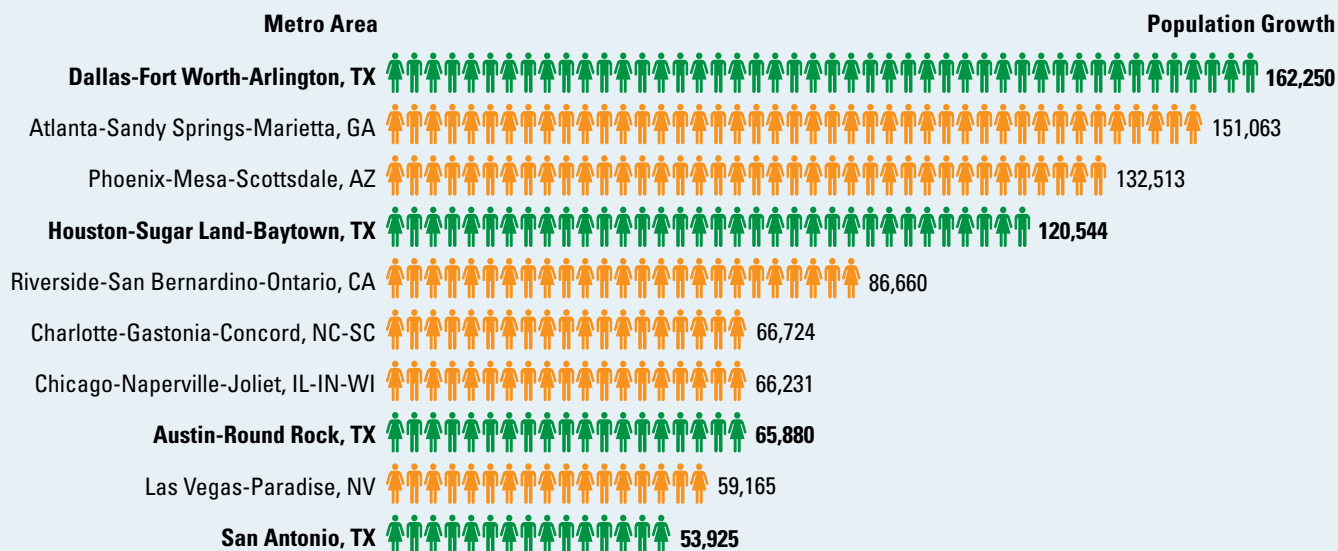
"Relatively affordable housing in Texas has contributed to the advantages of Texas in attracting businesses and new residents, particularly when compared to states like Arizona and Florida, which have been fast-growing states, but have been particularly hard hit by the difficulties in sub-prime mortgage markets," Eschbach says.

"Texas has not been immune to these difficulties, but its exposure to sub-prime lending has been lower than these other states. Appreciation of house prices in Texas has been more tied to population growth than to excessive speculation."

Population Boom

Texas' four major metro areas ranked among the nation's top 10 in population growth between July 2006 and July 2007.

 Texas
 Other States



Source: U.S. Census Bureau

Despite a national downturn in housing, Texas is still a great place to buy a home, says Kiersty Lombar, a real estate agent with Keller Williams' Central Texas Elite Homes.

"Much like California, there's something for everyone — Hill Country living, rural areas, investment opportunities, coastal living, urban living," Lombar says. "The difference? In Texas, you can actually afford it."

In 2007, *Forbes* magazine ranked Dallas and Austin the 9th and 10th most affordable metro areas, respectively, to buy a home in the United States.

Border Changes

Border areas have seen large population growth. Between July 2006 and July 2007, El Paso added 9,110 residents for a 1.3 percent population bump. El Paso County gained 74,000 residents through natural increase and 31,000 through international migration from 2000 to 2007. It lost about 47,000 residents over the same time period due to internal migration, or migration to other counties in the U.S., either inside or outside of Texas. "The border region has been growing quickly in the past decade, though that has cooled in the past year," says Eschbach. "Hidalgo County (McAllen) remains an area of particularly rapid growth in the border region."

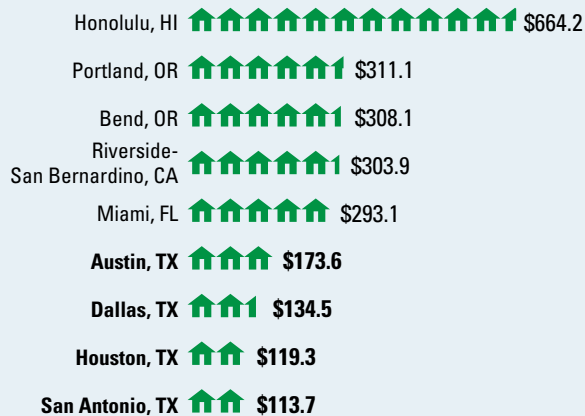
"Much of West Texas and the Panhandle experience more stable population patterns, with steady out-migration to the larger metropolitan centers," Eschbach says.

Lubbock added 2,149 residents from July 2006 to July 2007, a 0.8 percent increase. Lubbock County added about 18,000 people from 2000 to 2007. Harper

Metropolitan Area House Prices

House prices declined nationally during the fourth quarter of 2007 for the second consecutive period. Areas in Texas that Global Insight has long categorized as undervalued are attracting significant migration at the expense of the much higher-cost metropolitan areas of California and Florida.

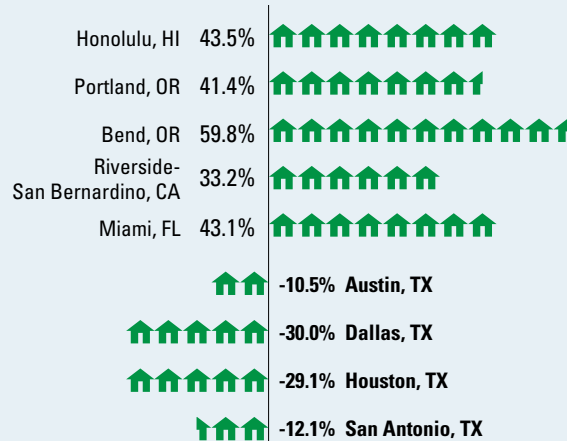
Average Price-Fourth quarter, 2007 (in thousands of dollars)



Overvaluation

Global Insight examined house prices and interest rates, household incomes and other factors for 330 metropolitan areas to determine what house prices should be. Based on a historical examination of 102 actual metro area price corrections during 1985-2007, it considered house price valuations in excess of 32 percent "severe" and presented a risk of substantial price declines (10 percent or greater) going forward. It designated such areas as "overvalued."

Overvaluation-Fourth quarter, 2007



Source: Global Insight's *House Prices in America*, 2008

says almost all of this growth, about 14,000, was due to natural increase. About 3,000 new residents moved into Lubbock County from other parts of the U.S., and migration from other countries added another 2,000.

The Human Factor

The population boom in Texas' metro areas has affected nearby bedroom communities.

"The suburban areas around the major cities of Houston, Dallas, Austin and San Antonio are experiencing the most rapid growth in percentage terms as suburbanization of both business and residences continues," Eschbach says. "However, in absolute terms, Harris County added the most new residents in the state. Austin and Fort Worth experienced particularly robust growth among core metropolitan counties."

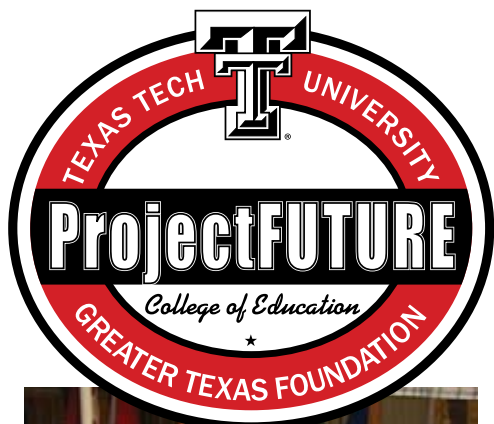
Housing and the economy may factor into Texas' population increase, but quality of life remains the biggest draw for the Wrights, of Georgetown.

"We have 40 oak trees on our property, and we're a mile from Lake Georgetown and a few miles from Berry Creek Golf Course," Lisa says. "We have everything we want for our lifestyle. We play golf. We like the lake. We like to run and hike."

And Texas' people may be its biggest asset.

"We love the Texas culture, the friendliness, the people who help one another and the community spirit," she says. "Our move here has enriched our quality of life." **FN**

Brief Bytes



The Future Today

Texas Tech University's College of Education (COE) is meeting tomorrow's call for teachers through Project Future — Finding Unique Teachers through Unprecedented Recruitment Efforts.

The program steers students toward a teaching career as early as the fifth grade, says Karen Jacobsen, director of public relations at the college.

"Many folks said, 'That's too young,'" Jacobsen says. "To that, we said, 'Absolutely not, it's the perfect age.'"

Project FUTURE served more than 490 students in 2007 from 10 school districts on the South Plains. More than 75 percent of those students are Hispanic or Black.

For more information, contact Judy Aycock Simpson, judy.a.simpson@ttu.edu, (806) 742-1998, or visit online at www.educdata.educ.ttu.edu/Development/projectfuture.

(Clint Shields)

Green Lights

More than \$1 million in rebates from CenterPoint Energy await the city of Houston upon completion of its traffic-signal swap.

"The goal is to replace the incandescent bulbs in about 2,400 intersections with LED traffic signals," says Cris Eugster, chief officer for sustainable growth in the mayor's office.

At an average of 10 to 15 lamp heads and 40 bulbs per intersection, that equates to a lot of savings.

LEDs — light emitting diodes — will last about six years longer than current signal lights and cut energy use by about 90 percent, saving the city about \$10,000 a day in utility costs.

"It makes sense from both an economic and an environmental standpoint," Eugster says. "Other cities have done some, but we're the largest to have made the commitment to do them all."

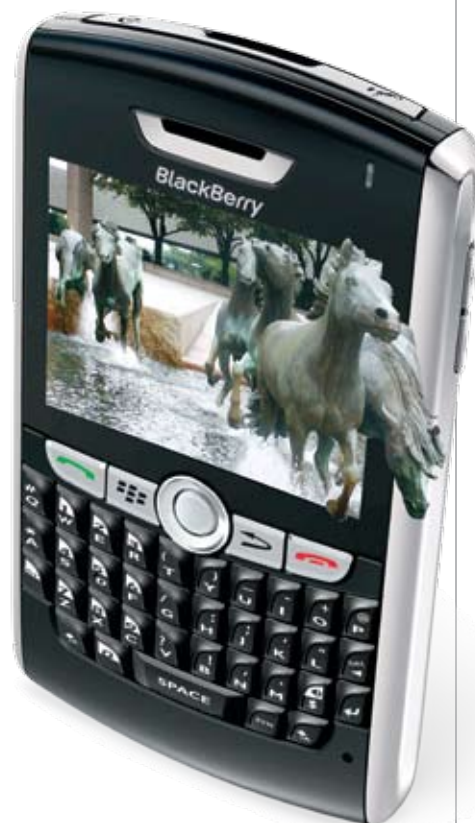
For more information, contact Cris Eugster, (713) 247-2666.

(Clint Shields)



Blackberry Moves South

Research In Motion (RIM), developer of the innovative BlackBerry wireless smart-phone, is establishing its U.S. headquarters in Irving, Texas. The Waterloo, Ontario-based company announced its decision in December 2007.



The company, which already has employees in Irving, plans to employ about 1,000 people there over the next several years in research and development, technical support and business administration.

RIM develops and markets a line of innovative wireless solutions for the worldwide mobile communications market. Its customer base has expanded to more than 11 million subscribers since the company was established in 1999.

For more information, visit www.rim.com.

(David A. Rivers)

Long-Term Medical Care

Advances in medicine and living conditions have helped increase the life expectancy of today's elderly, as well as those with disabilities. At advanced ages, many elderly individuals with chronic illnesses, or anyone who requires regular assistance, will require long-term care.

Options available for long-term health care vary, but at-home, family-based care, assisted living care, and nursing home care are prevalent. Family-based home care is the most popular care option, as patients prefer to remain at home among family. Home care aides offer in-home care services such as helping with cooking and cleaning. Their hourly rates range from \$19 for home health care services to \$38 for Medicare-certified home care services.

Nursing homes provide the next level of long-term care, full-time personal and medical nursing care for patients 24 hours a day. The average annual cost per day of stay in Texas range between \$187 for semi-private room to \$209 for private room accommodations.

Few health care plans cover long-term care, putting the burden of cost primarily on state-sponsored Medicaid, private long-term insurance policies, and the affected patient and family.

For more information about long-term care, visit the Texas Health and Human Services Web site at www.bhsc.state.tx.us.

(David A. Rivers)



Texas Moves

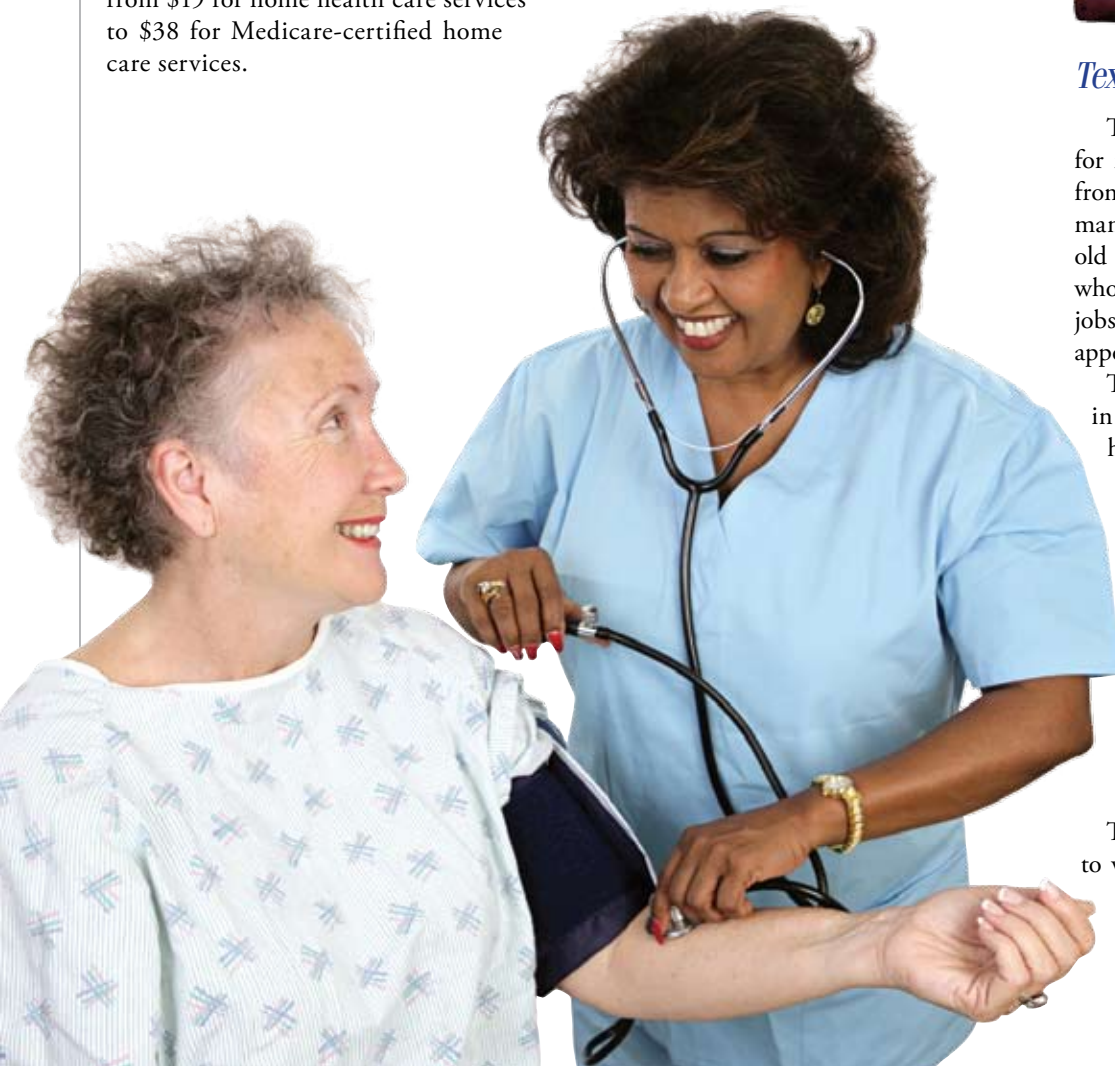
Texas is such an attractive destination for relocation that families and businesses from all over the world are moving here. For many, it's to make a new life by leaving an old one. The common denominator for all who have moved to Texas recently is "Jobs, jobs, jobs," says Karl Eschbach, Texas' newly appointed state demographer.

Texas led the nation in 2005 and 2006 in the number of individuals who moved here from another state or migrated to Texas from a foreign country. Approximately 700,000 people moved here in 2005. Another 800,000 followed in 2006.

Eschbach, who is also an associate professor in the department of demography at the University of Texas at San Antonio, says, "Job availability is almost always the primary motivator for people moving from one city, state, or country to another."

To search for jobs throughout Texas, or to view information about job trends and market data, visit the Texas Workforce Commission at www.twc.state.tx.us.

(David A. Rivers)

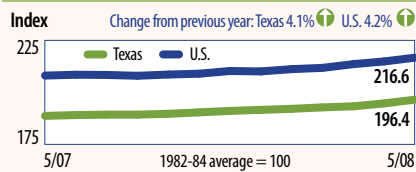


Texas by the Numbers

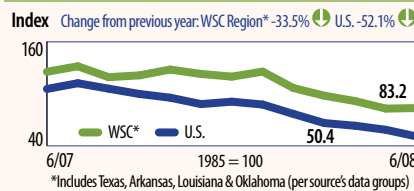
Key Texas Economic Indicators

The Texas economy is still one of the strongest in the nation, with the May job report showing job gains across most industries. The state unemployment rate continues to be lower than the national rate — 4.5 percent vs. 5.5 percent. U.S. consumer confidence sank to 50.4 in June; the Texas regional index held steady at 83.2. And overall consumer price levels continue to accelerate, powered upward by rapid growth in food and energy prices.

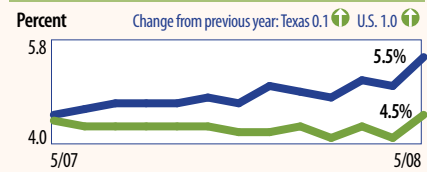
Consumer Price Index



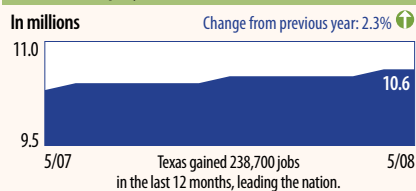
Consumer Confidence Index



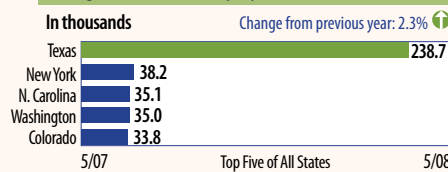
Unemployment Rate



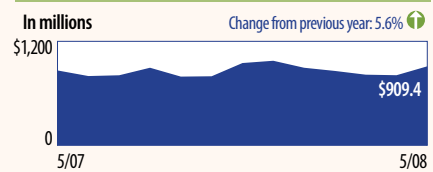
Nonfarm Employment



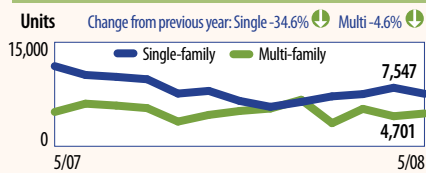
Change in Nonfarm Employment



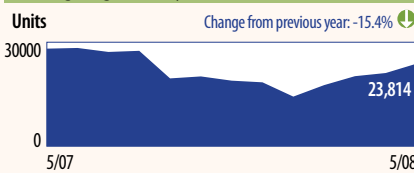
State Sales Tax Collections, Retail Establishments



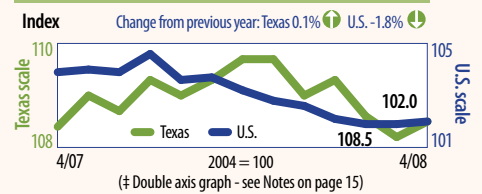
Housing Permits



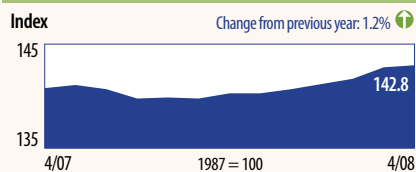
Existing Single-family Home Sales



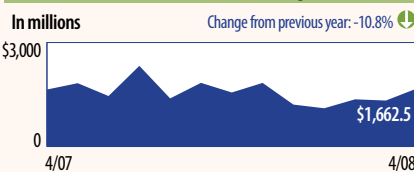
Leading Economic Indicators Index



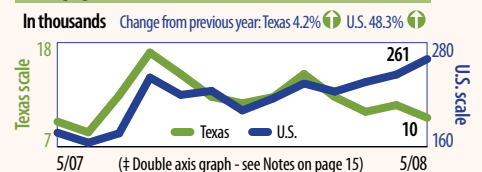
Industrial Production Index



Contract Value, Non-Residential Building Construction



Mortgage Foreclosures



Texas Production and Consumption Indicators

	Crude Oil Production	Natural Gas Production	Active Oil & Gas Drilling Rigs	Motor Fuels Taxed		Median Sale Price, Existing Single-family Home	Auto Sales	Cigarettes Taxed
	Value (Millions)	Value (Millions)	Units	Gasoline (Millions of Gallons)	Diesel (Millions of Gallons)	Dollars	Net Value (Millions)	Packages of 20 (Millions)
2006	\$19,657.5	\$19,852.1	746	11,372.8	3,731.6	\$143,100	\$45,756.2	1,280.2
2007	20,848.4	24,831.0	834	11,624.8	3,886.9	147,500	48,500.6	1,085.8
Mar-07	\$1,542.7	\$2,065.2	818	880.2	304.8	\$144,700	\$4,128.7	96.9
Apr-07	1,558.2	2,019.5	824	968.2	369.2	146,400	4,233.3	109.7
May-07	1,557.8	2,332.3	829	983.1	248.5	149,200	4,227.3	92.3
Jun-07	1,556.1	2,351.7	834	1,002.3	326.8	155,000	4,159.0	89.5
Jul-07	1,769.9	2,227.9	831	978.2	326.3	152,200	4,368.3	96.2
Aug-07	1,790.1	2,078.6	844	974.3	320.5	152,700	4,383.8	151.3
Sep-07	1,953.5	1,911.7	837	1,021.1	360.6	146,900	4,294.2	29.3
Oct-07	1,871.0	2,104.9	842	939.6	315.9	143,400	4,303.5	96.1
Nov-07	2,332.0	2,100.3	860	1,025.7	371.5	144,900	3,678.9	92.8
Dec-07	2,243.6	2,311.5	884	965.8	342.4	147,500	3,828.5	88.2
Jan-08	2,354.0	2,475.4	858	985.8	313.7	138,900	4,034.0	76.7
Feb-08	2,281.7	2,365.2	866	954.2	343.2	142,700	3,840.8	80.2
Mar-08	2,007.3	2,787.6	881	940.6	324.1	146,900	3,940.0	79.1
Apr-08	2,352.1		887	1,010.4	281.1	146,600	3,957.8	90.5
May-08			906	975.8	343.1	151,300		98.3

May Cash Condition¹

(Amounts in millions)	General Revenue	Other Funds	Total Cash
Beginning Balance May 1, 2008	\$10,259.8	\$18,154.8	\$28,414.6
Revenue/Expenditures			
Revenue	6,353.8	1,613.0	7,966.8
Expenditures	5,200.6	1,913.0	7,113.6
Net Income (outgo)	\$1,153.2	\$-300.0	\$853.2
Net Interfund Transfers and Investment Transactions	\$-922.8	\$838.4	\$-84.4
Total Transactions	230.4	538.4	768.8
End Cash Balance May 31, 2008²	\$10,490.2	\$18,693.2	\$29,183.4

¹ Cash stated is from the Comptroller's Uniform Statewide Accounting System (USAS) and will vary from the amounts reflected in the cash accounts of the Treasury Operations Division of the Comptroller's office due to timing differences. Net amounts shown (less refunds) exclude funds that are authorized to be held outside the State Treasury and are not processed through USAS. Suspense and Trust Funds are included, as are unemployment compensation trust funds collected by the state but held in the Federal Treasury. Totals may not add due to rounding.

² The ending General Revenue Fund Balance includes \$3.7 billion derived from the sale of cash management notes.

State Revenue/All Funds¹

(Amounts in millions)	Monthly Revenue May 2008	Fiscal Year-to-Date Sept. 2007-May 2008 Revenue	% Change YTD/YTD
Tax Collections by Major Tax			
Sales Tax	\$1,877.5	\$15,942.6	5.8%
Oil Production Tax	123.6	961.2	58.0
Natural Gas Production Tax	249.2	1,783.2	29.7
Motor Fuel Taxes	258.6	2,327.1	2.6
Motor Vehicle Sales Tax	269.4	2,497.2	2.8
Franchise Tax	698.6	854.6	-68.5
Cigarette & Tobacco Taxes	137.7	1,058.0	24.8
Alcoholic Beverages Tax	66.8	579.2	7.4
Insurance Companies Tax	21.0	892.0	8.4
Utility Taxes ²	-10.6	340.8	-2.9
Inheritance Tax	1.0	5.4	31.7
Hotel/Motel Tax	33.5	268.7	9.3
Other Taxes ³	134.5	1,088.7	4.6
Total Tax Collections	\$3,860.6	\$28,598.7	1.0%
Revenue by Receipt Type			
Tax Collections	\$3,860.6	\$28,598.7	1.0%
Federal Income	2,203.6	19,179.4	6.4
Interest and Investment Income	137.4	2,187.5	8.7
Licenses, fees, permits, fines,	550.9	8,398.9	64.7
Contributions to Employee Benefits	433.4	3,525.9	7.3
Sales of Goods and Services	41.3	348.4	2.3
Land Income	85.2	732.5	21.6
Net Lottery Proceeds ⁴	126.5	1,222.6	4.9
Other Revenue Sources	527.8	5,285.6	2.8
Total Net Revenue	\$7,966.8	\$69,479.4	8.6%

¹ Excludes revenues for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

² Includes the utility, gas utility administration and public utility gross receipts taxes.

³ Includes the cement and sulphur taxes and other occupation and gross receipt taxes not separately identified.

⁴ Gross sales less retailer commissions and the smaller prizes paid by retailers.

Notes:

Crude oil and natural gas figures are net taxable values. Gasoline gallons include gasohol. Auto sale values are calculated from motor vehicle taxes collected on new and used vehicle sales. All figures are seasonally adjusted, except for sales tax collections; rigs; consumer price; housing permits/sales/prices; and consumer confidence. Figures are based on the most recent available data. Annual figures are for calendar years. [† Double axis graphs: Graphs with two vertical axes show values for Texas on the left and values for the U.S. on the right. This method shows trends more clearly over the last year when data values are substantially different at state and national levels.]

Sources:

Key Texas Economic Indicators:
Consumer Price Index, Change in Nonfarm Employment: U.S. Bureau of Labor Statistics
Consumer Confidence Index: The Conference Board
Leading Economic Indicators Index: Texas Comptroller of Public Accounts, The Conference Board
Unemployment Rate: Texas Workforce Commission, U.S. Bureau of Labor Statistics
Nonfarm Employment: Texas Workforce Commission
State Sales Tax Collections, Retail Establishments: Texas Comptroller of Public Accounts
Housing Permits, Existing Single-family Home Sales: The Real Estate Center at Texas A&M University

Industrial Production Index: Federal Reserve Bank of Dallas
Contract Value, Non-Residential Building Construction: McGraw-Hill
Mortgage Foreclosures: RealtyTrac

Texas Production and Consumption Indicators:
Crude Oil, Natural Gas, Motor Fuels, Auto Sales, Cigarettes: Texas Comptroller of Public Accounts
Active Oil & Gas Drilling Rigs: Baker-Hughes Incorporated
Median Sale Price, Existing Single-family Home: The Real Estate Center at Texas A&M University

State Expenditures/All Funds¹

(Amounts in millions)	Monthly Expenditures May 2008	Fiscal Year-to-Date Sept. 2007-May 2008 Expenditures	% Change YTD/YTD
By Object			
Salaries and Wages	\$816.3	\$7,467.8	3.9%
Employee Benefits/Teacher Retirement Contribution	709.3	6,340.9	6.8
Supplies and Materials	70.5	679.5	16.4
Other Expenditures	197.6	1,994.3	5.5
Public Assistance Payments	2,556.7	23,984.7	7.5
Intergovernmental Payments:			
Foundation School Program Grants	1,009.1	14,979.8	30.0
Other Public Education Grants	1,437.0	3,483.5	4.9
Grants to Higher Education	87.7	773.0	6.3
Other Grants	234.2	1,712.8	11.4
Travel	12.7	108.0	7.5
Professional Services and Fees	250.1	1,571.4	4.5
Payment of Interest/Debt Service	32.7	611.8	8.3
Highway Construction and Maintenance	479.9	3,893.9	-8.7
Capital Outlay	42.4	347.6	39.8
Repairs and Maintenance	47.5	471.2	13.4
Communications and Utilities	42.3	374.2	6.8
Rentals and Leases	18.0	191.6	4.7
Claims and Judgments	6.1	83.1	36.3
Cost of Goods Sold	69.4	614.6	-6.1
Printing and Reproduction	3.1	32.5	-3.8
Total Net Expenditures	\$7,113.6	\$69,716.4	10.0%
By Function			
General Government			
Executive	\$481.8	\$4,231.6	7.7%
Legislative	9.3	92.6	-3.9
Judicial	24.1	183.0	5.0
Subtotal	515.2	4,507.2	7.3
Health and Human Services	2,475.5	22,921.1	6.2
Public Safety and Corrections	382.6	3,142.5	7.2
Transportation	752.5	5,805.1	-2.6
Natural Resources/Recreational Services	174.9	1,485.1	9.8
Education	2,087.2	24,869.1	19.0
Regulatory Agencies	20.9	215.0	19.0
Employee Benefits	609.6	5,504.1	8.1
Debt Service—Interest	32.7	611.8	8.3
Capital Outlay	42.4	347.6	39.8
Lottery Winnings Paid ²	20.0	307.9	-14.1
Total Net Expenditures	\$7,113.6	\$69,716.4	10.0%

¹ Excludes expenditures for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

² Does not include payments made by retailers. Previously shown as "Other expenditures."

Some revenue and expenditure items have been reclassified, changing year-to-date totals. The ending cash balance is not affected because changes reflected in "total net revenues" and "total net expenditures" offset changes in "net interfund transfers and investments transactions" in the cash condition table.

Revenues and expenditures are reported for the most recent month available and as a running total for the current fiscal year-to-date. In addition, year-to-date figures are compared with the same period in the last fiscal year. These comparisons are reported as percentage changes, which may be positive or negative (shown by a minus sign).

Trust fund transactions are included within revenues and expenditures in the "all funds" presentations. Trust funds are not available to the state for general spending.



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FISCAL NOTES also provides a monthly summary of the financial statements for the State of Texas.

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Demographic Snapshot: How Texas Compares with the U.S.



	Texas	U.S.
Population change: 2000-2007	14.6%	7.2%
Median age	33.1	36.4
Women	50.2%	50.7%
White, not Hispanic or Latino	48.3%	66.4%
Black	11.9%	12.8%
Hispanic or Latino	35.7%	14.8%
Median household income	\$44,922	\$48,451
Foreign born	15.9%	12.5%
Median home value	\$114,000	\$185,200

Source: U.S. Census Bureau Total Population Estimates (2007), State Population Estimates by Characteristics (2006), American Community Survey (2006)



FISCAL NOTES

A Monthly Review of the Texas Economy from the Office of Susan Combs, Texas Comptroller of Public Accounts

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